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G.I.O. 1.05 Rand, H. James
G.I.O. 1.05 Blatnik, John
Hambric, Don
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Cleveland Firm in Hot Water

Does Work for CIA

Firm That HHI Aided

Rand Corp. Linked to CIA

By DAN THOMASSON
Scripps-Howard Staff Writer

The Cleveland-owned Rand Development Corp., under criticism in Congress for its government dealings, turned out today to be a contractor for the Central Intelligence Agency.

Interior Department records reveal that two auditors, sent to Cleveland to check Rand expenses in connection with water pollution contracts, had to have secret clearances because of the firm's classified work for the CIA.

This disclosure heightened the mystery surrounding activities of the research and development firm, top officers of which include two former cloak-and-dagger experts for the Office of Strategic Services during World War II.

THE OFFICIALS

The two officials are H. James Rand, president of the firm, and George Bookbinder, executive vice president. The firm's chief Congressional booster, Rep. John Blatnik (D., Minn.), also was an OSS associate of Mr. Rand and Mr. Bookbinder.

A CIA spokesman today refused to comment on any connection the agency might have with Rand. But the CIA contract is mentioned in a memo

written last year to Interior Department auditors by Don L. Hambric of the Federal Water Pollution Control Administration. In the memo, Mr. Hambric advised:

"Rand also has a small classified contract with the CIA and any auditor working at Rand should have at least a secret clearance."

Mr. Hambric said today the two auditors subsequently sent to look at Rand's records both did have security clearances.

Rand's widespread connections here apparently have resulted in a series of Government jobs over the last 10 or 12 years, including other "classified" work for the Defense Department.

HUMPHREY

The extent of these connections was made public recently when it was revealed that Vice President Hubert Humphrey, as a Senator from Minnesota, and Rep. Blatnik helped secure a \$13.2 million mail truck contract for a Rand subsidiary, Universal Fiberglass of Two Harbors, Minn. Federal officials estimate the Government may have lost as much as \$5 million on the contract, on which Universal Fiberglas defaulted.

Last year, the Food and Drug Administration won a court order preventing Rand from manu-

facturing or selling a "cancer vaccine." And also last year, the Securities and Exchange Commission banned trading in Rand stock for several months.

The Interior Department audit, conducted in connection with Rand's expense account on the pollution contracts, disclosed that Rand charged off rent and maintenance of a New York apartment to the contracts.

Rand's defense for this is that under other contracts, mainly with the Defense Department, it has been allowed to claim the cost of maintaining the apartment as a business expense.

DISALLOWED

On the strength of this, the Interior Department disallowed only 25 per cent of the apartment expenses, leaving the Government to pick up the balance of about \$7000. Rand has appealed this decision.

Interior Secretary Stewart Udall has ordered an investigation of the apartment's use by officials in his agencies as a result of Mr. Bookbinder's statement that Government officials as "high as an Assistant Secretary of State" had stayed there.